Annual Report

Workplace Health, Safety and Compensation Commission

Our Vision

To promote and support safe workplaces in the province and assist employers and workers in managing workplace injuries and return to work planning. To provide a reasonable level of benefits to injured workers and their dependents based on reasonable assessment rates for employers.

Activity at a Glance

Claims Activity

	2000	1999	1998	1997	1996
Long-term Disability Caseload	2,561	2,376	2,158	1,932	1,700
Short-term Disability Claims*	6,541	6,595	5,540	5,029	5,127
Health Care Only Claims*	6,306	5,041	4,305	4,406	5,005
Accepted Fatality Claims**	38	26	31	31	29
Average Short-term Claims Duration (days)	133	135	114	109	104

Financial Activity

	2000	1999	1998	1997	1996
Registered Employers' Accounts	14,490	14,080	13,589	13,571	13,442
Employer Assessments	$134.4m	$117.0m	$108.2m	$98.4m	$102.9m
Claims Costs	$144.8m	$131.9m	$98.2m	$86.6m	$82.7m
Administration Costs	$18.1m	$17.8m	$15.1m	$13.8m	$12.8m
Unfunded Liability	$202.3m	$179.9m	$111.1m	$91.7m	$99.4m
Funded Ratio	65.2%	65.5%	74.1%	75.9%	72.4%

* The number of new claims reported and accepted for payment by March 31, 2001, for lost-time injuries or medical aid only that occurred in 2000.

** Accepted Fatalities are the number of fatalities that occurred in 2000 or prior to 2000 and were accepted for payment between January 1 and December 31, 2000, including deaths from long-term industrial disease.

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WHSCC

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BOARD OF DIRECTORS

May 8, 2001

The Honourable Anna Thistle
Minister of Labour
4th Floor, West Block
Confederation Building
P.O. Box 8700
St. John's, NF
A1B 4J6

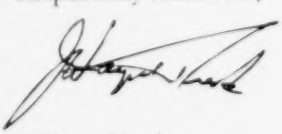
Dear Minister Thistle:

In compliance with Section 12(1) of the *Workplace Health, Safety and Compensation Act*, I am pleased to submit the annual report of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador for the year ended December 31, 2000.

The report presents information on the Commission's transactions for the 2000 calendar year including the number of injuries accepted, benefits provided, and audited financial statements.

I commend the report for your review.

Respectfully submitted,



J. Wayne Trask
Chairperson
On behalf of the Board of Directors

Report of the Chairperson

They always say that time changes things, but you actually have to change them yourself.

Andy Warhol (1928-1987)

Change is not new to the Workplace Health, Safety and Compensation Commission (the Commission). In fact, many would argue that change is a given in the provincial workers' compensation system.

Ann Marie Hann, Chief Executive Officer and J. Wayne Trask, Board Chairperson.

Having become chairperson of the Board in September 2000, much of the operations of the Commission were new to me and I expected the learning curve would be steep. What I did hear over and over again from those close to the system is that the Commission operates as the pendulum swings — it either swings to the side of assessments or to the side of benefits. Most wish it could just swing in the middle.

By the year 2000, only radical intervention would stop a complete collapse of the system within 15 years. The workers' compensation system in Newfoundland and Labrador was in a precarious financial position. Assessment revenue was no longer sufficient to meet rapidly increasing costs and, as a result, the viability of the system was uncertain.

Government appoints Task Force

Prompted by this crisis situation, the Government of Newfoundland and Labrador launched a complete review of the provincial workers' compensation system as required under Section 126 of the *Workplace Health, Safety and Compensation Act.* For the first time, this review was carried out by a Task Force of five members from the Board of Directors which I chaired. The other members were labour representatives Reg Anstey and Judy Vanta, employer representative Roger Flood, and at-large representative Don Warr.

In November 2000, the Task Force released a discussion paper designed to outline the extent and nature of the current financial problems facing the system. At the heart of the document were the following facts:

- No relief for an abrupt 30% increase in lost-time claims which started in May 1998.
- Virtually all new claims were due to strains and sprains across all industries.
- Freezing the base assessment rate for 2001 at $3.24 would result in a cash shortfall of $9.7 million in 2001. A $30.1 million shortfall was projected for 2005 if the situation remained unchecked.
- The Commission's injury fund - the total amount of money set aside to pay injured workers in the future - would be wiped out by 2015, again if something was not done soon.
- The Commission's unfunded liability increased by $69 million to $180 million in 1999 and could grow to $392 million by 2005. For 2000, the figure is $202 million.
- The target of being fully funded by 2012 was no longer attainable.

The discussion paper caught the attention of many stakeholders and woke them up to the realization that the system had to change because losing this system was not an option!

Consultation important to the process

From there, the Task Force set out to do its work. We knew from the start that consultation had to be the cornerstone of the process: we received 110 written presentations and heard almost 100 presentations. We also convened a round table of about 30 key stakeholders in the system and this proved to be a valuable exercise.

Our final report, "Changing the Mindset," was presented to government on February 15 and released the next day publicly. While this process and the final report were dramatically different from previous statutory reviews, the response from stakeholders was extremely supportive. I think that's because the Task Force listened closely to stakeholders in preparing the recommendations. Something else we can't forget, all parties — employers, injured workers, health care providers, labour, unions, government, the Commission — recognize they have a role to play in getting this system back on solid financial ground and they are up to the challenge. This is OUR system to make or break.

Our report lays out a comprehensive plan for the future that has the unanimous support of the Board of Directors. The plan defines the role and responsibilities of all stakeholders and goes beyond what the Commission should be doing — it's what we all must do.

A transition year

The year 2001 will be a transition year for our system. The Task Force has agreed to stay in place to work with government on the legislative changes. The "new" system will be fully operational by January 2002.

During this year, the Board of Directors will work to build consensus and lead by example. We will show that we are willing to make fair and prudent decisions so the workers' compensation system survives for future generations. We must inform, educate, and reach out to those who depend on the system and those who have the ability to shape the system. We will do more to connect with our stakeholders and that starts with the publication you are reading right now.

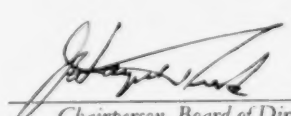
In November, we appointed a new Chief Executive Officer, Ann Marie Hann. Her knowledge and ability has already served the Commission well and we look forward to working with her. I would also like to acknowledge George Tilley, our previous CEO, with whom I worked for only a short time, and Penelope Rowe who retired in 2000 after serving 10 years as chairperson of the board. Both Mr. Tilley and Mrs. Rowe were instrumental in building the foundation for the Task Force process. As well, Rod Chiasson, member-at-large, and William Kennedy, employer representative, completed their terms on the board this past year and I thank them for their service.

I would also like to thank my fellow Task Force and board members for their diligence in 2000 — and there's more work to come. Also I extend our appreciation and thanks to the Commission management and staff.

What will the new system be like?

And that brings me back to where I started this report — change. I think an achievable plan has been laid out for the Commission, government, and stakeholders. The days of the "quick fix solutions" are gone. We need to get back to what this system is all about — providing a fair, affordable and sustainable INSURANCE system for the people of Newfoundland and Labrador.

Within the next few years, we can be part of a whole new system that has fewer injuries because we are preventing them at the workplace. We can also have more workers accommodated back into the workforce because the workplace parties and health care providers will better understand their roles. These changes will lessen the burden on the system and when this happens, we will be able to offer employers more competitive assessment rates and enhanced benefits for injured workers. And that's what this system is all about.



Chairperson, Board of Directors

Implementing the plan

It would be an understatement to say the Workplace Health, Safety and Compensation Commission is a complex organization. Our mandate is to provide a fair, affordable, and sustainable insurance system for injured workers and employers of Newfoundland and Labrador. Stakeholders play a key role in ensuring we fulfill this mandate. Recognizing their importance and valuable contribution, we will continue to consult, and where possible, partner with stakeholders as we implement our new plan of action for 2001.

This year's annual report addresses the important issues we faced in 2000 and sets the stage for future direction and initiatives. Our course of action in 2001 will start a plan to put the Commission back on solid financial ground. Because 2001 is a transition year for us, next year's report will contain more meaningful, action-specific data to reflect on our activities throughout the year.

As mentioned in the Chairperson's report, the proposed plan by the Task Force will impact all stakeholders, and the Commission is prepared to act immediately to make the necessary changes to move that plan forward aggressively.

Implementation of our new comprehensive plan will commence in 2001. Areas that we are targeting include return-to-work strategies, policy reviews, enforcement, health and safety training and education, as well as communication with stakeholders. We have already started the review of the assessment rate classification system and the experience rating system. Changes to the rate setting model will come into effect January 2002.

The Commission has also initiated an independent review of its operations. The successful bidder, DMR Consulting Incorporated, will conduct a broad-based operational review. The first phase of this review is due to be completed by late May 2001. It's been about ten years since such a review was completed. Having an external consultant provide an objective report on how efficiently and effectively we operate can only help us improve our business and information technology processes, and therefore, the services we provide to our stakeholders. We look forward to receiving the consultant's report.

The Commission cannot embark on this new plan alone. Enhancements to the workers' compensation system will require ownership by all stakeholders. As we move forward and implement the recommendations of the Task Force, we will use an integrated approach that involves all stakeholders. Working closely and consulting with them throughout this process can only solidify a united attitude towards fixing the system.

There are no easy answers or quick fix solutions to preventing workplace accidents and injuries. We do know that changing the mindset of all parties — injured workers, employers, health care providers, labour, unions, government and the Commission — can make a difference. Together, we can take steps toward creating more healthy and safe workplaces in Newfoundland and Labrador.

In the coming months, the way we think and respond to workplace accidents and injuries will be challenged. The Task Force outlined a plan that defines the roles and responsibilities of the Commission and all of its stakeholders. We all have an opportunity to bring the workers' compensation system back to what it was always intended to be — a fair, affordable, and sustainable insurance system for the people of our province. The difference we make is up to us all.

Ann Marie Ham

Chief Executive Officer

J. Wayne Trask — Chairperson
J. Wayne Trask is a retired business owner and chartered accountant from Corner Brook. This is his first year on the Board and he is currently serving on several corporate boards including Newfoundland and Labrador Hydro, Academy Canada, Lafarge Gypsum Canada Incorporated, and Corporate Ventures Incorporated. He is chair and president of the Civic Centre Association and the Volunteer Service Medal Selection Committee, and is a member of the Premier's Advisory Council on Cultural Infrastructure and the Newfoundland and Labrador Business Hall of Fame Committee. He is past president of the 1999 Canada Winter Games, the Institute of Chartered Accountants of Newfoundland and Labrador, the Rotary Club of Humber, Junior Achievement of Newfoundland and Labrador, and the Canadian Association of Knights of Columbus. He was elected a Fellow of the Institute of Chartered Accountants.

Reg Anstey — Worker Representative
Reg Anstey is from Mount Pearl and is secretary/treasurer with the Fish Food and Allied Workers Union. He has been a member of the Board of Directors for two years. Reg is active within the fishing industry, serving as a board member on the Fisheries Benefit Trust, the National Seafood Sector Council and Offshore Fish Resource Harvester Incorporated.

Eileen Humphries — Worker Representative
Eileen Humphries is from St. John's. She is a registered nurse and the labour relations officer with the Newfoundland and Labrador Nurses Union (NLNU). She has been on the Board of Directors since 1994. Eileen is active at the executive level of the NLNU where she served as branch president, and is currently vice-president of NAPE Local 7018. She has also served on various workplace committees such as occupational health and safety and labour-management.

Judy Vanta — Worker Representative
Judy Vanta is from St. John's and is employed with the Janeway Child Health Centre. She has been a member of the Board of Directors for two years. She has a keen interest in occupational health and safety and has served on the Occupational Health and Safety Advisory Council to the Minister of Labour. Judy is past director of the Newfoundland and Labrador Association of Public and Private Employees, Women in Resource Development, and is currently vice-president of the Newfoundland and Labrador Federation of Labour.

Richard Kelly — Member-at-Large
Richard Kelly is from Mount Pearl and is a Senior Customer Service Associate with Convergys Canada Incorporated. He has been a member of the Board of Directors for two years. He has over 25 years' experience in banking, investment, finance, and business.

Barry Warren — Member-at-Large
Barry Warren is from Gander, is president of Canadian Courier Limited, and has been on the Board of Directors for two years. Barry has 21 years' experience in the managerial, industrial, chemical, and sanitary supply industry, as well as three years' with the transport and courier industry. He is the past treasurer and current secretary of the Gander and Area Chamber of Commerce, as well as a past member of the Board of Directors for Gander Worldwide Incorporated and former director with the Atlantic Division of the Canadian Sanitary Supply Association.

Donald Warr — Member-at-Large
Donald Warr is from St. John's and is a chartered accountant and partner in the firm Blackwood & Warr. He has been a member of the Board since the fall of 2000. He has been a member of Rotary for over 20 years, is the past chairperson of the Grace Hospital Foundation, and was elected a Fellow of the Newfoundland Institute of Chartered Accountants. Don also serves on the board of directors for Newfoundland Capital Corporation and Marystown Shipyard.

Back (l-r): Judy Vanta, Reg Anstey, Richard Kelly, Ches Foote,
Front (l-r): Ann Marie Hann, Barry Warren, J. Wayne Trask,
Roger Flood, Donald Warr, Eileen Humphries. Missing from photo:
Bernice Buckle

Bernice Buckle — Employer Representative
Bernice Buckle is a retired business owner from Corner Brook with 30 years' experience in interior decorating and design. She has been a member of the Board of Directors for two years. Bernice, who served the Corner Brook Lioness Club for 28 years, was awarded the Lions International "Melvina Jones Fellow" Life Member status by the Lions Foundation of Canada. She is also a board member with the Western Regional Appeals Board, director of the Western Memorial Hospital Foundation, and a trustee with the Western Health Care Corporation.

Roger Flood — Employer Representative
Roger Flood is from St. John's and is president of Day & Ross. He has been a member of the Board of Directors since the fall of 2000. He is chair of the fundraising committee of the Newfoundland Cancer Treatment and Research Foundation, past-president of the St. John's Board of Trade, and a member of the Canadian Chamber of Commerce as well as the Genesis Selection Committee. Roger is a civil engineer and in 1998, received the Community Service Award by the Professional Engineers & Geoscientists of Newfoundland.

Ches Foote — Employer Representative
Ches Foote is a businessman from Harbour Breton and has been a member of the Board of Directors for three years. He was also a board member of the Fortune Bay, Bay D'Espoir Connaigre School Board and the Central West Health Corporation. Ches is active in his community and is president of the local curling club and a member of the economic development committee.

EX-OFFICIO

Ann Marie Hann
Chief Executive Officer
Workplace Health, Safety and Compensation Commission

Joseph O'Neill
Assistant Deputy Minister of Labour
(appointed Deputy Minister, February 2001)
Department of Labour

Management's Responsibility for Financial Reporting

The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this annual report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors has reviewed the financial statements and other financial information included in this annual report.

The Board of Directors is assisted in its responsibilities by its Finance Committee. This committee reviews and recommends approval of the financial statements and annual reports, meets periodically with management, the Internal Auditor, external auditors and actuaries concerning internal controls and all other matters relating to financial reporting and recommends the appointment of external auditors and actuaries.

The firm of Morneau Sobeco has been appointed as independent consulting actuary to the Commission. Their role is to complete an independent actuarial valuation of the benefit liabilities of the Commission on a periodic basis not to exceed two years and to report thereon in accordance with generally accepted actuarial principles. Such a valuation was performed as at December 31, 2000.

Deloitte & Touche LLP, the external auditors of the Commission, have performed an independent audit of the financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Chairperson, Board of Directors

Chief Executive Officer

Actuarial Statement of Opinion

With respect to the *Workplace Health, Safety and Compensation Act* of Newfoundland and Labrador, I state that in my opinion:

1. The total benefit liabilities as at December 31, 2000 for benefit payments of all types expected to be made after December 31, 2000 (including capitalized awards and the effect of future indexing) in respect of accidents of 2000 and prior years amount to $559,203,692 for assessed employers. Self-insured employers and future administration expenses on existing claims were not included in this valuation.

2. The data on which the valuation is based was provided by the Commission in accordance with detailed specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data is sufficiently reliable to permit a realistic assessment of the liabilities of the Commission as described above.

3. The actuarial assumptions adopted in computing the foregoing liabilities are adequate and appropriate, and the methods employed are in accordance with accepted actuarial practice. The economic assumptions adopted for purposes of computing the above-noted liabilities are consistent with the basis of asset valuation adopted by the Commission. The discount rate used is 7.64% per annum for non-indexed benefits. For indexed benefits, graded net discount rates were used, starting at 4.92% for the first year, 5.53% for the next two years and reaching an ultimate level of 3.50% per annum after five years.

4. The valuation report has been prepared and my opinion has been given in accordance with accepted actuarial practices.

Details of the data, actuarial assumptions and valuation methods are set out in the actuarial valuation report as at December 31, 2000, of which this certificate forms part.

Conrad Ferguson, F.C.I.A.
Partner, Morneau Sobeco

April 16, 2001
Date

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Auditors' Report

To the Board of Directors of the
Workplace Health, Safety and Compensation Commission
of Newfoundland and Labrador

We have audited the statement of financial position of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador as at December 31, 2000 and the statements of operations, unfunded liability and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

St. John's, Newfoundland
March 23, 2001

Statement of Financial Position

As at December 31

Assets	2000 ($000)	1999 ($000)
Cash and cash equivalents	$ 11,053	$ 6,307
Receivables (Note 6)	10,904	11,111
Investments (Note 7)	346,162	314,036
Capital assets (Note 8)	10,295	10,702
	$ 378,414	$ 342,156
Liabilities and Net Fund Deficiency		
Payables and accruals	$ 6,482	$ 6,903
Benefit liabilities (Note 9)	559,204	500,137
Total liabilities	565,686	507,040
Reserves (Note 10)	15,000	15,000
Unfunded liability (Note 11)	(202,272)	(179,884)
Net fund deficiency	(187,272)	(164,884)
	$ 378,414	$ 342,156
Contingencies (Note 14)		

On behalf of the Commission

Chairperson

Chief Executive Officer

The accompanying notes starting on page 14 are an integral part of the financial statements.

Commentary

The statement of financial position presents the Commission's financial position as at December 31, 2000. Assets refer to resources and property owned by the Commission or owed to the Commission by others. They include cash and investments, land, building, and equipment plus various accounts receivable.

Liabilities include accounts payable and actuarial estimates of amounts to be paid in future years for injuries in 2000 and prior years. A detailed actuarial valuation of the benefit liabilities was carried out as at December 31, 2000. The actuarial assumptions used in estimating future benefit liabilities include a discount rate of 7.64% per annum for non-indexed benefits and graded net discount rates starting at 4.92% for the first year, 5.53% for the next two years and reaching an ultimate level of 3.50% per annum after five (5) years for indexed benefits.

Reserves are amounts appropriated to fund the cost of specific expenditures. Unfunded liability refers to the amount by which total liabilities and reserves exceed total assets. The net fund deficiency is the accumulated surplus (deficiency) for all years to the end of 2000 less reserves.

The Commission's funded ratio (the percentage of assets to liabilities plus reserves) decreased from 65.5% to 65.2% in 2000.

Statement of Operations

Year Ended December 31

	2000 ($000)			1999 ($000)
	Current Year Injuries	Prior Years' Injuries	Total	Total
Revenue				
Assessments	$ 115,446	$ 5,565	$ 121,011	$ 103,604
Unfunded liability assessment	-	13,400	13,400	13,400
Investment income	-	32,018	32,018	27,990
	115,446	50,983	166,429	144,994
Expenses				
Claims costs incurred				
Short-term disability	35,510	3,998	39,508	39,158
Long-term disability	34,191	26,645	60,836	55,564
Survivor benefits	3,792	4,069	7,861	5,573
Health care	28,691	6,016	34,707	29,458
Rehabilitation	1,559	338	1,897	2,143
	103,743	41,066	144,809	131,896
Administration (Note 12)	18,142	-	18,142	17,846
Other (Note 13)	4,728	-	4,728	4,327
	126,613	41,066	167,679	154,069
Surplus (deficiency) from operations	(11,167)	9,917	(1,250)	(9,075)
Actuarial adjustments for prior years (Note 9)	(2,600)	(18,302)	(20,902)	(59,367)
Deficiency for the year	$ (13,767)	$ (8,385)	$ (22,152)	$ (68,442)

The accompanying notes starting on page 14 are an integral part of the financial statements.

Commentary

The Commission's statements are prepared on an accrual basis. Thus, the Commission includes in the current year statement of operations, an estimate of future costs for injuries that have already occurred.

The statement of operations summarizes the Commission's operating activity for the year. Revenue consists of assessment revenue from employers and interest earned on both short- and long-term investments. The unfunded liability assessment also represents revenue from employers.

Expenses for current year injuries represent actual costs incurred in 2000, plus an estimate of what is expected to be incurred in the future for these claims including an allowance for indexing basic benefits in line with increases in the Canadian Pension Index for Canada. Expenses for prior years' injuries also include interest charged to fund liabilities and self-insurers' expenses.

Statement of Unfunded Liability

Year Ended December 31

	2000 ($000)	1999 ($000)
Unfunded liability, beginning of year	$ (179,884)	$ (111,100)
Deficiency for the year (Page 11)	(22,152)	(68,442)
	(202,036)	(179,542)
Appropriation to reserve fund (Note 10)	(236)	(342)
Unfunded liability, end of year	$ (202,272)	$ (179,884)

The accompanying notes starting on page 14 are an integral part of the financial statements.

Commentary

The unfunded liability, beginning of year, is the accumulated excess of expenses over revenue from prior years.

Deficiency for the year is the difference between current year revenue and expenses, including actuarial adjustments, which increases the unfunded liability (refer to statement of operations).

The increase in the unfunded liability is primarily attributable to changes in health care cost experience and amendments to income taxes which mainly affect long-term disability costs, based on an actuarial evaluation completed as at December 31, 2000.

Statement of Cash Flows

Year Ended December 31

	2000 ($000)	1999 ($000)
Cash flow from operating activities:		
Cash received from:		
Employers, for assessments	$ 134,618	$ 116,203
Investment income	14,016	13,248
	148,634	129,451
Cash paid to:		
Claimants or third parties on their behalf	(106,644)	(99,428)
Suppliers and employees, for administrative and other goods and services	(20,859)	(19,310)
Third party, from reserve fund	(236)	(342)
	(127,739)	(119,080)
Net cash provided from operating activities	20,895	10,371
Cash flow from investing activities:		
Cash received from:		
Sales and maturities of long-term investments	538,489	373,581
Cash paid for:		
Purchases of long-term investments	(552,613)	(386,242)
Purchases of capital assets	(2,025)	(3,173)
	(554,638)	(389,415)
Net cash used for investing activities	(16,149)	(15,834)
Net increase (decrease) in cash and cash equivalents	4,746	(5,463)
Cash and cash equivalents		
Beginning of year	6,307	11,770
End of year	$ 11,053	$ 6,307

The accompanying notes starting on page 14 are an integral part of the financial statements.

Commentary

Cash flow from investment income and assessments is the actual amount received in 2000 and includes amounts assessed in prior years.

1. Nature of operations

The Workplace Health, Safety and Compensation Commission was established by the Newfoundland Legislature in 1951, under *the Act*. The Commission is responsible, in accordance with the provisions of *the Act*, for administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the Insurance Companies Act (Canada).

An independent Workers' Compensation Review Division is established under *the Act* to make rulings on any appeals pertaining to the Commission's assessments or benefits decisions.

The Commission does not receive government funding or other assistance.

2. Summary of significant accounting policies

Provision for unbilled assessments

At the beginning of each year, an assessment is levied on employers by applying industry assessment rates to their estimated payroll. Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for unbilled assessments is recorded based on historical assessment information and on actual payroll information received subsequent to year end.

Funding policy

Assessment rates will be established at a level to generate sufficient revenue to cover either the cash disbursements in each year (cash approach) or the full year's cost of each accident year as well as amortization of a portion of the unfunded liability (full funded approach). In 2000, the industry assessment rate levied on employers to contribute to the unfunded liability was $13.4 million (1999 - $13.4 million). The revenue raised with respect to the funding policy is shown separately in the Statement of Operations as the unfunded liability assessment.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Investments

Fixed term investments are recorded using the amortized cost method, which amortizes premiums and discounts arising on fixed term purchases over the periods to maturity of these investments. Gains or losses realized on the disposal of fixed term investments are amortized on a straight-line basis over a five-year period, which approximates the period to maturity.

Equity investments are stated at moving average market value. Unrealized gains and losses occurring during the year, together with gains and losses realized on the disposal of equity investments, are deferred and amortized on a straight-line basis over a five-year period.

Where it is determined that a permanent impairment in the carrying value of the entire investment portfolio has occurred, the carrying value of the portfolio is written down to recognize the loss and the write-down included in income in the year in which it occurs.

Capital assets

Capital assets are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives. The periods used are as follows:

Building	40 years
Furniture and equipment	10 years
Computer purchases and development	1 to 5 years
Equipment under capital lease	3 to 5 years

3. Capital leases

The Commission leases computer equipment under capital leases. Future minimum lease payments under these capital leases are as follows:

	($000)
2001	$ 712
2002	357
2003	141
	1,210
Less: Estimated executory costs	63
Net minimum lease payments	1,147
Less: Amounts representing interest at 8.46%, 6.69%, 7.03%, and 6.68%	82
Present value of net minimum lease payments	$ 1,065

4. Pension costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Commission. The annual contributions for pensions are recognized in the accounts on a current basis.

5. Self-insured employers

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and an appropriate share of administrative costs. Aggregate amounts of such assessment revenue and offsetting expenses included in the Statement of Operations are as follows:

	2000 ($000)	1999 ($000)
Assessment revenue	$ 7,064	$ 6,737
Claims costs incurred:		
• Short-term disability	916	925
• Long-term disability	2,828	2,504
• Survivor benefits	484	698
• Health care	1,696	1,693
• Rehabilitation	129	138
Administration charges	1,011	779
	$ 7,064	$ 6,737

The benefit liabilities related to self-insured employers have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities. As these liabilities will be borne by those employers when paid in future years, they do not add to the Commission's unfunded liability or its net fund deficiency.

6. Receivables

	2000 ($000)	1999 ($000)
Assessments	$ 3,645	$ 4,307
Unbilled assessments	6,000	5,000
Other	1,259	1,804
	$ 10,904	$ 11,111

7. Investments

	2000 ($000)		1999 ($000)	
	Carrying Value	Market Value	Carrying Value	Market Value
Fixed term	$ 173,589	$ 176,606	$ 162,377	$ 158,325
Equities	200,466	211,383	184,719	189,546
Accrued Interest	1,965	1,965	1,917	1,917
	376,020	389,954	349,013	349,788
Deferred investment gains	(29,858)	-	(34,977)	-
	$ 346,162	$ 389,954	$ 314,036	$ 349,788

During the year the following items were amortized to investment income:

	2000 ($000)	1999 ($000)
Amortized portion of realized investment gains	$ 17,984	$ 16,497
Amortized portion of unrealized investment gains (losses)	79	(900)
	18,063	15,597
Amortized portion of premiums on fixed term investments	(111)	(557)
Total amortized to investment income	$ 17,952	$ 15,040

8. Capital assets

	2000 ($000)			1999 ($000)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 11	$ -	$ 11	$ 11
Building	7,468	3,122	4,346	4,438
Furniture and equipment	2,382	1,423	959	1,097
Computer purchases and development	8,713	4,756	3,957	3,790
Equipment under capital lease	5,112	4,090	1,022	1,366
	$ 23,686	$ 13,391	$ 10,295	$ 10,702

9. Benefit liabilities

An analysis of the components of, and changes in, benefit liabilities is as follows:

	2000 ($000)						1999 ($000)
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Total	Total
Balance, beginning of year	$ 52,820	$ 322,458	$ 50,208	$ 70,706	$ 3,945	$ 500,137	$ 408,302
Add:							
Claims costs incurred:							
Current year injuries	35,510	34,191	3,792	28,691	1,559	103,743	97,595
Prior years' injuries	3,998	26,645	4,069	6,016	338	41,066	34,301
	39,508	60,836	7,861	34,707	1,897	144,809	131,896
	92,328	383,294	58,069	105,413	5,842	644,946	540,198
Deduct:							
Claims payments made:							
Current year injuries	11,882	716	372	6,347	62	19,379	19,018
Prior years' injuries	25,134	31,086	6,332	22,214	2,499	87,265	80,410
	37,016	31,802	6,704	28,561	2,561	106,644	99,428
Balance before the following	55,312	351,492	51,365	76,852	3,281	538,302	440,770
Actuarial adjustments:							
Prior years	992	(4,993)	(1,156)	13,665	845	9,353	59,367
Tax amendments	1,311	9,709	529	-	-	11,549	-
	2,303	4,716	(627)	13,665	845	20,902	59,367
Balance, end of year	$ 57,615	$ 356,208	$ 50,738	$ 90,517	$ 4,126	$ 559,204	$ 500,137

9. Benefit liabilities (cont'd)

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on a periodic basis, not to exceed two years. Such a valuation was performed as at December 31, 2000. The benefit liabilities represent the actuarial present value of all future benefits payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims. No provision has been made for future claims related to latent occupational disease, because they cannot be reasonably estimated, or for future expenses of administration of existing claims.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

The benefit liabilities are based on projections of future benefit payments which reflects long-term estimates of economic and actuarial assumptions and methods, modified for current trends. As these assumptions may change over time, it is possible that such changes could cause a material change in the actuarial present value of future benefit liabilities.

Benefits paid by the Commission to injured workers are based on net pay after employee deductions (i.e., employment insurance, CPP, and income tax). Income tax rate reductions during 2000, by the provincial and federal governments, have resulted in a decrease in taxes paid by individuals. These tax rate reductions have the impact of increasing net pay of injured workers, thus increasing the benefit payments and benefit liability of the Commission.

10. Reserves

i) A disaster reserve has been provided by a five percent charge to annual assessment revenue, to a maximum of $10,000,000.

ii) A reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace has been provided by a two percent charge to annual assessment revenue, to a maximum of $5,000,000. During 2000, $236,612 (1999 - $342,000) was issued from this reserve. These funds have been replenished at December 31, 2000.

11. Change in unfunded liability

	2000 ($Millions)	1999 ($Millions)
Unfunded liability, beginning of year	$ (179.9)	$ (111.1)
Favourable revenue variance	7.8	12.7
Unfavourable accident variance for the current year	(19.1)	(32.1)
Principal portion of unfunded liability assessment	(0.3)	4.9
Favourable investment income variance	10.5	6.9
Liability adjustments for prior years' claims	(9.3)	(59.4)
Income tax amendments	(11.5)	(0.0)
Other	(0.5)	(1.8)
Unfunded liability, end of year	$ (202.3)	$ (179.9)

12. Administration expenses

	2000 ($000)	1999 ($000)
Salaries and employee benefits	$ 12,535	$ 12,216
Office and communications	1,786	1,812
Amortization	2,432	2,410
Building operations	439	472
Travel and vehicle operating	531	483
Professional fees	419	453
	$ 18,142	$ 17,846

13. Other expenses

	2000 ($000)	1999 ($000)
Occupational Health and Safety	$ 3,539	$ 3,371
Review Division	576	606
Employer and Worker Advisors	400	350
Worksafe Program	151	-
Task Force	62	-
	$ 4,728	$ 4,327

14. Contingencies

The Commission is liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.

15. Related party transactions

The Commission is required to reimburse the provincial government for a portion of the operating costs of the Occupational Health and Safety Division, all of the costs of the Workers' Compensation Review Division, and the employer and worker advisor positions. Total expenses incurred by the Commission in these matters are detailed in Note 13.

In addition to these obligations, included in these financial statements are amounts resulting from normal operating transactions with various provincial government-controlled departments, agencies, and crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements.

16. Comparative figures

Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.

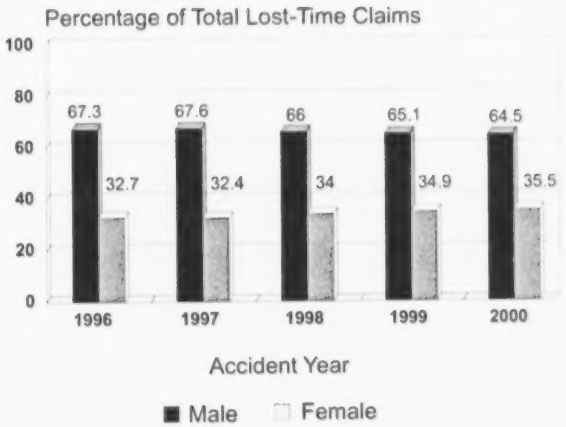
Statement of Operations and Unfunded Liability for the Year Ended December 31 (in $000's)

	2000	1999	1998	1997	1996
Revenue					
Assessments	$ 121,011	$ 103,604	$ 94,752	$ 85,028	$ 89,460
Unfunded liability assessment	13,400	13,400	13,400	13,400	13,400
Investment income	32,018	27,990	26,760	26,496	23,273
	166,429	144,994	134,912	124,924	126,133
Expenses					
Claims costs					
Current year injuries	103,743	97,595	67,593	56,650	54,117
Prior years' injuries	41,066	34,301	30,572	29,936	28,586
	144,809	131,896	98,165	86,586	82,703
Administration	18,142	17,846	15,141	13,808	12,777
Other	4,728	4,327	4,094	4,869	4,596
	167,679	154,069	117,400	105,263	100,076
Surplus (deficiency) from operations before the following	(1,250)	(9,075)	17,512	19,661	26,057
Actuarial adjustments for prior years	(20,902)	(59,367)	(19,186)	(10,388)	(8,183)
Legislative changes	-	-	(17,367)	(1,286)	-
	(20,902)	(59,367)	(36,553)	(11,674)	(8,183)
Surplus (deficiency) for the year	(22,152)	(68,442)	(19,041)	7,987	17,874
Unfunded liability, beginning of year	(179,884)	(111,100)	(91,667)	(99,354)	(117,228)
Appropriation to reserve fund	(236)	(342)	(392)	(300)	-
Unfunded liability, end of year	$ (202,272)	$ (179,884)	$ (111,100)	$ (91,667)	$ (99,354)
Funded ratio	65.2%	65.5%	74.1%	75.9%	72.4%

Lost-time Claims* by Age Group 1996-2000

*Accepted and Paid

Lost-time Claims by Gender 1996-2000



Soft Tissue Injuries as a Percentage of Total Claims 1996-2000

Average Assessment Rate 1996-2000

LOST-TIME CLAIMS BY INDUSTRY

TOP FIVE NATURE OF INJURY

	Mining	Forestry	Manufacturing	Construction	Transportation	Services	Fishing	Enhanced Disabilities**	Self Insurers	Total	Percent*
Sprains, strains, tears	24	38	131	156	85	998	136	1	116	1685	25.76%
Soreness, pain, hurt, except back	12	31	140	97	57	647	159	1	82	1226	18.74%
Back pain, hurt back	6	22	77	89	48	525	78	1	27	873	13.35%
Bruises, contusions	5	20	47	46	34	260	53	-	31	496	7.58%
Cuts, lacerations	-	19	81	52	8	242	47	-	18	467	7.14%

TOP FIVE PART OF BODY INJURED

	Mining	Forestry	Manufacturing	Construction	Transportation	Services	Fishing	Enhanced Disabilities**	Self Insurers	Total	Percent*
Back, spine, spinal cord	21	48	162	186	107	1151	152	1	95	1923	29.40%
Wrist(s), hand(s), finger(s)	8	34	161	122	44	582	159	2	47	1159	17.72%
Multiple body parts	10	17	49	45	36	399	59	-	46	661	10.11%
Neck and/or shoulder	3	11	53	35	28	379	70	1	34	614	9.39%
Knee(s), ankle(s)	13	15	53	71	30	254	49	-	44	529	8.09%

TOP FIVE TYPE OF ACCIDENT

	Mining	Forestry	Manufacturing	Construction	Transportation	Services	Fishing	Enhanced Disabilities**	Self Insurers	Total	Percent*
Slip and/or fall	16	26	91	141	84	680	146	2	99	1285	19.65%
Bodily motion/reaction	18	44	130	125	72	723	95	1	66	1274	19.48%
Overexertion in lifting	11	19	101	107	52	749	119	-	63	1221	18.67%
Struck by object	12	45	95	99	36	341	94	1	29	752	11.50%
Struck against object	-	8	58	35	14	194	39	-	28	376	5.75%

* Percentage of the total number of lost-time claims (6,541).

** Enhanced disabilities are more generally known as the Second Injury Relief which, by definition, refers to the total or partial cost of individual claims being redirected from the assessable employer to a general account, known as the Second Injury Relief account. Second Injury Relief will be given when a new work injury or a recurrence of a previous work injury occurs while a worker is participating in a Commission-sponsored rehabilitation program. This relief is also available when the injury recovery period is extended or there are increased costs because of a pre-existing disability or pre-existing impairment.

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